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FM AMEMBASSY ADDIS ABABA
TO RUEHC/SECSTATE WASHDC 8549
INFO RUCNIAD/IGAD COLLECTIVE
RUCPDOG/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS ADDIS ABABA 003321

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E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [EINV](#) [PTER](#) [ET](#)

SUBJECT: BANKS RECOGNIZE NEED FOR ANTI-MONEY LAUNDERING REGIME

REF: ADDIS ABABA 06 2736

11. SUMMARY: In continued efforts in capacity building and training in the financial sector in Ethiopia, representatives of the U.S. Treasury Department met with banks in Ethiopia to discuss current anti-money laundering (AML). All 11 of Ethiopia's banks reported that they do not currently have adequate AML controls, and recognize the need to implement them. Bank officials indicated willingness to receive technical assistance and training. The National Bank of Ethiopia (NBE) recently signed the terms of reference for an AML capacity-building program with the U.S. Department of the Treasury, showing that Ethiopia stands ready to address AML issues. END SUMMARY.

12. Since March 2007 two representatives of the U.S. Treasury department have been working with the Legal Department and Foreign Exchange directorate of the NBE to develop a terms of reference (TOR) and work plan for a project for a technical assistance in the formation of an anti-money laundry and counter terrorist financing (AML/CFT) regime and financial intelligence unit (FIU) in Ethiopia. The NBE Bank Governor signed the TOR on November 6, which will allow the formal technical assistance program to begin.

13. As preliminary outreach in anticipation of the technical assistance, the Treasury team met with representatives of Ethiopia's eight private and three state-owned banks as well as the chairman of the Budget and Finance Standing Committee of the Parliament to brief them on AML and gauge the current level of AML efforts. All eleven banks stated that there is no AML legislation, but that they have built-in systems of internal and external audits. Banks also said they are under pressure for AML controls from their correspondent banks and stated they are very much interested in the technical assistance proposed by Treasury.

14. Treasury representatives noted to EmbOffs that the controls in place in Ethiopian banks are not adequate to prevent money-laundering activities. Additionally, they expressed concern in the growing number of seemingly-unregulated money transfer systems, including an on-line hawala, Birrituexpress.com.

15. COMMENT: Treasury's interviews with banks indicate a current lack of AML capacity in Ethiopia, both legislatively and through adequate internal controls in the banks, leaving Ethiopia open to becoming a conduit country for money laundering. Draft legislation has been proposed and is described as "good" by Treasury representatives. NBE's formal agreement to the TOR for Treasury technical assistance signals the Government of Ethiopia's willingness to engage in this important sector. Work on the technical assistance is expected to begin in December. END COMMENT.

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